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Playing Against the Rules: How a digital strategy can enhance a Luxury Business
– The Case of Burberry -

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Abstract

This dissertation studies the case of Burberry: a luxury brand that saw its reputation deteriorate due to some decisions that were made as to carry out a global expansion that went against some of the fundamentals of a luxury business model. Although profitable, the brand diluted its value, and its image as a luxury brand was highly compromised. Burberry has managed to turn around by playing, once again, “against the rules” of luxury. Although many academics and other luxury brands saw digital as an anathema to luxury, Angela Ahrendts, Burberry’s CEO from 2006 to 2014, was able to see its potential as a strategic tool to spread brand content and create symbolic value, while targeting a new generation: the millennials. This time, the “dreaded” tool was used in service of luxury’s fundamentals.

The main goal in this study is to understand that, although digital’s essence is the opposite to luxury’s, a digital strategy can coexist with a luxury one, as long as the former respects the fundamentals of the latter. Therefore, it is important to deeply understand the concepts and fundamentals of a luxury business model and what may happen if they are not respected. The theoretical perspectives on this matter are extensively discussed in this paper in order to understand how a digital strategy can leverage a luxury brand’s performance.

Keywords: digital; luxury; turnaround; fundamentals of a luxury business model; Burberry

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Resumo

Esta dissertação estuda o caso da Burberry: uma marca de luxo que viu a sua reputação deteriorar-se devido a algumas decisões tomadas com o intuito de expandir a marca mundialmente e que desrespeitaram alguns dos fundamentos do modelo de negócio de luxo. Embora se tenha conseguido manter lucrativa, o valor da marca diluiu e sua imagem de luxo foi altamente comprometida. A Burberry conseguiu dar a volta à situação, jogando, mais uma vez, "contra as regras” do luxo. Embora muitos académicos e outras marcas de luxo vejam no digital uma ameaça para a estratégia de luxo, Angela Ahrendts, *CEO* da Burberry entre 2006 e 2014, conseguiu ver o seu potencial como ferramenta estratégica para espalhar o conteúdo da marca e criar valor simbólico, focando-se, também, num novo público alvo: os *millennials*. Desta vez, a “temida” ferramenta foi usada ao serviço dos fundamentos do luxo.

O principal objetivo deste estudo é perceber que, embora a essência do digital seja oposta à do luxo, uma estratégia digital pode coexistir com uma de luxo, desde que a primeira respeite os fundamentos da segunda. Assim sendo, é importante compreender profundamente os conceitos e fundamentos de um modelo de negócio de luxo e o que pode acontecer se eles não forem respeitados. As perspetivas teóricas sobre estes temas são amplamente discutidas neste estudo, a fim de perceber como é que uma estratégia digital pode alavancar a performance de uma marca de luxo.

Palavras-chave: digital; luxo; *turnaround*; fundamentos do modelo de negócio do luxo; Burberry

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CONTENTS LIST

1. INTRODUCTION

This dissertation was carried out under the scope of the “Transforming Business Performance” seminar, in which it is explored a case study of a business turnaround. A turnaround implies a reversal of falling results through fundamental change, which will correct the outcome of past decisions that led to the company’s failing performance. The goal of the turnaround is to put the firm in a comfortable position in terms of results, so it is able to continue its operations and even to grow.

This dissertation studies the case of Burberry: a luxury brand that saw its reputation deteriorate because of some decisions that were made in order to carry out a global expansion that went against the fundamentals of a luxury business model. Although profitable, the brand diluted its value, and its image as a luxury brand was highly compromised. Burberry has managed to turn around by playing, once again, “against the rules” of luxury. This time, it was different. Although digital can be seen as an anathema to luxury, Burberry has managed to see its potential as a strategic tool to spread brand content and create symbolic value. This time, the dreaded (by luxury brands) tool was being used in service of luxury’s fundamentals.

The luxury sector has gained some notoriety and interest among academics. It is a sector that highly contributes to the world’s economy and its growth and success, although impacted by some financial crisis, has been impressive since 1990. Luxury brands are strong visible facets of globalization and consumption societies. However, luxury is not just like any other sector. It implies special management rules.

The main goal of this work is to understand how digital can be a great opportunity for luxury brands to grow and develop their businesses. Nevertheless, to build a strong and successful luxury brand’s digital strategy, managers need first to deeply understand the concept of luxury and its rules, replicating them in the mentioned strategy.

Therefore, to better guide this study, the second chapter includes some literature on the following research questions: “What are the fundamentals of a Luxury Strategy?”; “What happens when Luxury Brands stop following the fundamentals of a Luxury Strategy?”; “Why is Brand Identity so important to drive performance in the Luxury Segment?”; and “How can Digital elevate a Luxury Brand’s Strategy?”.

The third chapter presents the case study with a detailed journey through Burberry’s ups and downs. The reader is firstly introduced to the brand’s origins, its core products and its beginnings as a successful luxury brand. Then, it is explained how Burberry, through a strategy of global expansion, decreased its value. Finally, the reader is invited to take notice of the brand's new vision and followed strategies that enabled Burberry to turn around.

The teaching methodology of this case is described in the fourth chapter, including the learning objectives, guidelines on how to start the class discussion and some questions that will help students to better understand the concepts in study.

Finally, the last chapter contains a summary of the key takeaways of this case, the limitations of this study and suggestions for future research.

2. LITERATURE REVIEW

2.1. What are the fundamentals of a Luxury Strategy?

2.1.1. The concept

Luxury is a very old concept. At first, luxury was present in ancient rituals to show gratification to God, to appreciate His miracles or to beg for something to happen. Among others, building rich temples, and gifting Him with the most shinny jewellery were some of the most common offerings. The bigger the effort and the amount of magnificence, the bigger was the sacrifice and the expression of admiration. Luxury then started to be a way of showing power and social status. In the high hierarchy of society, Royalty, Nobility and Clergy would self-elevate themselves through ostentatious items that could not be worn or of possession by lower classes. It was an effective way to distinguish aristocrats from non-aristocrats. The former should spend more and invest on luxurious items, whereas the latter were forbidden to dress the same way as aristocrats. Luxury helped signalling social hierarchy (Kapferer and Bastien, 2009).

Nowadays, luxury plays a role that is profoundly based on its previous one. Nevertheless, luxury is a subjective concept that is quite challenging to define. Many academics have suggested a way to describe what luxury is, contributing to a wide variety of dimensions to explore the concept. But luxury should be a concept that is widely accepted, even if it means having to establish criteria to determine if something is luxury or not but accepting the subjectivity when positioning the products or brands on these criteria (Kapferer and Bastien, 2009).

From an economic point of view, luxury is explained as overpriced for the functionality it offers, which means that people are somehow buying more than just a product that fulfils a necessity (Yeoman, 2011). This economic dimension, however, does not explain one of luxury's biggest role: social stratification. This role may be explained through a sociological point of view, in which luxury is seen as elitist and symbolic. "The happy few" who are able to enjoy luxury are also able to portray their power and to influence taste in society (Kapferer and Bastien, 2009), even if not everyone is able to buy it. Therefore, the value of luxury is determined by two sources: the strength it has to please the individual and to give him/her the dream of exception (self-elevation); and the way it portrays a social positioning to others, creating distinction (Kapferer, 2015). The high price of luxury is then a consequence of what it means, which is much more than what it is. To become associate with the brand, its reputation and values, and with the group of people who have exclusive access to it, first, the brand must give the individual the opportunity to be part of its exclusive circle; second, one must be willing and has to have the financial capacity to pay the price. The price one is able to pay is the measure of his/her own worth (Kapferer, 2015). It is possible to understand, now, two of the factors that explain what luxury is: **Distinction** (it is for refined people who want to prove their high social status) and **Elitism** (very few people can have it, because it is really expensive, but everyone knows about it and desires it) (Barnier et al., 2012). The essence of luxury derives from these factors: awareness and desire should be higher than accessibility (Kapferer and Bastien, 2009).

Luxury has a dual nature: an intrinsic value and a symbolic value (Kapferer and Bastien, 2009). Its intrinsic value is the substance and what delivers excellence to the product, which would never be considered as worthy if not of the highest quality, durability and exquisite craftsmanship. Self-elevation will not occur if the buyer does not feel intimate, extreme satisfaction. Therefore, the highest **Quality** and **Refinement** are other factors that characterize luxury (Barnier et al., 2012). The symbolic value gives a unique identity to luxury brands. This identity is built upon the brand's heritage and values. When a luxury item is sold, the history of how the brand was created, the talent of the craftsman and the vision of the creative director are also sold, which is also an explanation for the high price. And all these factors are long-term, non-comparable between brands, just like art (Kapferer, 2014). Therefore, luxury is also about **Uniqueness**, **Creativity** and (brand) **Power** (Barnier et al, 2012).

2.1.2. The luxury business model

Understanding the concept of luxury is the first step to build a good strategy for luxury brands. There are some fundamentals of the luxury business model that highly differ from other models, but as it is the business of elevation, it requires some unique and special management rules.

When it comes to production and distribution, it is desirable that the luxury brand has full control of it (Kapferer, 2015). First of all, since quality is one of the defining factors of luxury, no other actor should be responsible for its production. The talent of the craftsman and the attention to detail must be maintained, since customers look for refinement. Additionally, there is an importance given to keeping the production in the country of origin. The country of origin is part of the identity of the brand, which is cultural and contributes to the symbolic value of the product, a crucial part at building the dream (Kapferer and Bastien, 2009). Besides, the creative vision is not compromised as there is no mix with other cultures, values and ways of working.

But luxury also depends highly on the moment of sale. It is imperative to create a great experience that increases the intangible value given to the brand. Creating a strong bond with the client, by building one-on-one relationships will make him/her feel special and unique (self-elevation and pleasure). Having full control, from production to sale, aligns the vision and values of the brand, creating a stronger brand identity. This way, it becomes easier to nurture the clients' dreams. Brands such as *Cartier, Ferrari*, *Hermès*, have excelled under this business model, influencing non-luxury brands to adapt the same strategy (Kapferer, 2015).

When it comes to marketing, Kapferer and Bastien (2009) highlight the importance of not following various of the traditional marketing laws when managing luxury brands. The authors then propose management rules they call the "anti-laws of marketing" that should be applied by luxury brands. To start with, luxury brands should forget about positioning, which is the core of brand strategy, and focus only on identity. Identity does not allow comparison, making luxury superlative and harder to copy (see next section for further development).

Other anti-laws explore how luxury should be timeless, preventing the risk of becoming out of fashion (Kapferer, 2015). Luxury products should not seduce too many people and should not be abundant, otherwise they will sell too fast and lose their exclusivity. Luxury is about iconic pieces that will remain forever, to which only a few will ever have access to. Luxury is not a volume business, even though mass consumption is highly profitable. Creating time, financial and logistic obstacles will enlarge the inaccessibility and greaten the appreciation for the product. Scarcity creates demand and desirability, which is important to manage the gap between awareness and accessibility that is in the essence of luxury (Kapferer and Bastien, 2009). Luxury should also resist clients' demands and set/educate on taste.

Communication is also peculiar in luxury strategies. Luxury does not communicate to sell, but to dream (Kapferer and Bastien, 2009). There is not much rational behind luxury ads, there is no "unique selling proposition" (it would kill the dream), but a story filled with magic. The brand is very much the focus instead of the products. Many luxury brands have even invested in creating small films to tell their story, strengthening the mysticism that feeds desirability. But this desirability can only be sustained if the communication is done far beyond the target. In traditional marketing, it is imperative to define and really know your target audience so communication strategies can be effective and translate into great return on investment. However, in luxury, the purchase dilutes the dream (Dubois and Pernault, 1995). Feeling special and exclusive will only happen if everyone knows and admires the brand, but only a few have access to it. Brand awareness is key, otherwise the brand value is lost.

Pricing strategies in luxury could not be more opposed to those in traditional marketing. Prices are a "taboo" topic in luxury brands, they should not be mentioned because, after all, they are not as nearly important as the product or brand. Price is a technical detail in luxury that should align with its irrational nature to avoid comparison (Kapferer and Bastien, 2009). Luxury brands benefit from the Veblen effect (Amaldoss and Jain, 2005), which means that to create demand, brands raise prices and never make discounts, opposing to the economic demand theory and the skimming price strategy. Increasing the average price continuously in luxury means an opportunity to invest in quality and gain a more sophisticated clientele, whilst losing bad customers with whom the first do not want to mix. However, it is important to understand that both intrinsic and symbolic values are what set a high price, while being expensive does not necessarily mean that it is luxury. This means that, as discussed above and to create more value to the client, the price of a luxury item should represent much more than the product itself (Kapferer and Bastien, 2009). Consequently, there is the need for an excellent salesforce that is able to explain the story and meaning behind each piece and to inflame the desire, instead of pressuring the client to purchase it.

2.2. What happens when Luxury Brands stop following the fundamentals of a Luxury Strategy?

As previously mentioned, luxury needs a constant equilibrium of exclusivity and accessibility, thus supply should be below demand. When this equilibrium is not respected, the business' success will start to decrease (Kapferer, 2014). If luxury brands invest in a high penetration strategy, for example, through license agreements, that not only gives more awareness to the brand, but also a great perspective of growth - they are expanding the accessibility to more consumers -, the luxury dream will dilute (Kapferer, 2015). It is part of the luxury essence to be rare and make the customer feel he/she is one of a kind, so whenever an item is purchased, some of the equity of the brand is lost, due to an increase of the product's visibility and vulgarization (Kapferer and Bastien, 2009).

Another strategy with a lot of potential for profitable growth is to launch brand extensions. "Luxury Stretching" has allowed brands to grow and to become financially stronger

(Kapferer and Bastien, 2009). There are two types of stretching: horizontal (the galaxy model (Sicard, 2006)), which is a diversification into other lifestyle categories without changing the relative price; and vertical (the pyramid model) in which the brand chooses to go up and down offering different price levels for different categories, to continue to stratify their clientele, although giving a chance to the non-customers to access the brand. The latter model is attractive for a rapid turnover increase and for gaining higher margins, while relocating to areas of lower costs. This easy way of increasing profitability brings, however, the risk of the brand becoming stuck at the bottom level of the pyramid (which does not demand such creativity and excellence). Extensions bring also the challenge of losing control over the business' value chain – which means not respecting the luxury business model. This leads to diminishing exclusivity for the elites and, consequently, the brand's value (Riley et al, 2004; Kapferer and Bastien, 2009).

Luxury brands must always keep their prestige, whether it is in growth or marketing strategies. In communication, for instance, brand endorsers should not shadow the brand, but rather serve as a symbol that reinforces the brand's identity (Kapferer and Bastien, 2009). Otherwise the brand is just another accessory to a celebrity that may not even be aligned with the brand's values. In digital, when a luxury brand is not able to re-create the "real experience" and invest in adding symbolic value, purchases will be reduced to the best deal, thus banalizing the concept (Truong et al, 2009).

When the fundamentals of luxury are not respected, it is the brand's symbolic value that suffers the most.

Counterfeit, a true challenge for luxury brands, may actually be a way to understand if the brand's strategy is going as planned. It may mean that not all clients can differentiate between real and fake products or that they do not think the product is worth a visit to the shop (and digital has increased this problem). It can also mean that the production and/or distribution is out of control, where licensees may take advantage of the brand by using it to sell products with a lower quality or that were not in the contract. However, when there are no counterfeits, it can be a sign of lack of desirability (Kapferer and Bastien, 2009).

2.3. Why is Brand Identity so important to drive performance in the Luxury Segment?

There are two dimensions on which brands create value to their customers (Chernev et al, 2011): the quality offered and the ability to create meaningful associations that add a symbolic value to products (Fournier, 1998). This can be applied to the tripartite model of value creation (Wiedmann et al, 2007) that is divided into functional – luxury products must have an exceptional performance –, social – luxury as admirable and attractive – and individual value creation – luxury as a way of hedonism and a referral to self-identity values.

Consumers use brands in general to express their identity (Aaker, 1997; Berger and Heath, 2007, Ecalas and Bettman, 2005) and identity saturation may influence brand preferences, especially because self-expressive brands decrease the consumers' willingness to associate with other self-expressive brands across all categories (Chernev et al, 2011). That is why it is so important to create a relationship with the client and to differentiate from others at an identity level. Actually, since technological designs and manufacturing processes are more standardized than ever, brand associations have been the most significant source of value, especially if they are related with their customers own identities (Chernev et al, 2011).

Luxury brands have the advantage of being incomparable, which makes them unique. As absolute brands (Kapferer, 2014) they do not compete on quality, otherwise their value would be reduced to the product. Instead, they compete on values and associations, on the ability to be certified as a setter of good taste and on symbolic capital, by giving a meaning to the product and telling the story behind it (Kapferer and Bastien, 2009). Brand identity and brand image are two sources of consumer preference (Aaker, (1997); Keller, (2003)). Brand identity is what it should mean for consumers, the associations that the company wants to create in consumers' minds. Brand image relates to consumers' perceptions regarding the brand. Both influence brand equity – "the benefits a product achieves through the power of its brand name" (Stahl et al, 2012). More importantly, they should influence customer-based brand equity (Keller, 2009) which is based on awareness and familiarity, and strong, favourable, unique associations with the brand (Keller and Lehmann, 2003) in order to get the most positive brand responses (Keller, 2003). A luxury brand, due to its heritage, culture and values can create a strong identity that should be highly communicated to the public as to make them relate at both a personal and aspirational level.

In luxury, brand awareness is imperative. The greater the fame one brand has, the more positive externalities it gets, because everyone will know what it means to have an item from the brand even if they cannot buy it. It gives power to the brand. But these positive externalities are part of luxury's essence and are something to really look for, although it can create some conflict between profits and sales managers and the board of directors (Carnavale-Maffe, 2011).

2.3.1 How to communicate the brand's identity?

Kapferer and Bastien (2009) have thoroughly discussed luxury brand's communication in their work, defending that, in luxury, it serves to nurture the dream and the timeless value of the brand, and not to sell. As previously discussed, when an item is sold, it weakens the brand, so communication is also important to continue to increase desirability. To do so, it is important to make sure that what is communicated is vague enough so many people can identify with it; that it is itself a piece of art filled with the brand's codes (the brand's ID: brand's creator, logotypes, visual symbols, brand colour, materials, the know-how, the brand's style) and that resists time.

Telling the brand's story, myths and values gives it status. There are various means to communicate. To create awareness, there is mass market advertising, store staging, brand ambassadors, word-of-mouth, digital platforms, PR and patronage. To nurture exclusivity, brands organize restricted access events, art shows, collection defiles. All these means must recreate the brand's universe, bringing strategic and aesthetic coherence (Kapferer and Bastien, 2009).

2.4. How can Digital elevate a Luxury Brand's Strategy?

Any economic sector is affected by several shifts in the environment. Luxury is particularly influenced by the change in technology and the evolution of society (Kapferer, 2014). Luxury consumers will not remain the same forever and it is important to understand if the new generations will ever appreciate the artistic component of a luxury item and the status it confers, or if they will always prefer something more futuristic and technological, as, after all, they live in the digital era. The "new rich" need this attention, because so far, "the taste has been the taste of old money" (Kapferer, 2015).

But can luxury develop a digital strategy? The internet, for instance, seems to be the opposite of luxury's fundamentals (Onkokwo, 2009). The internet is fast and convenient, lacks physical contact with both the goods and the sellers, and is available to anyone. For many years, luxury goods were thought to be unsuitable to be exhibited and retailed on the internet, because the perfect experience at the point of sale, the brand's presentation, the exclusivity and limited access would be lost.

Things started to change around 2006 as several luxury brands embraced e-retail, for example, which turned into one of the fastest growing distribution channels, added virtual products to their lines, reproduced the digital world in their stores, and vice-versa (Onkokwo, 2009). Business practices were deviating from luxury academic theory. Digital is not only about e-commerce; it allows to reach consumers at all stages of their purchasing journey. Besides, digital optimises many business components that allow it to become more efficient and have better performance, such as: communications, branding, customer service, design, retailing, consumer analysis, client networks or congregation, marketing, customisation, product development, and supply chain and operations management (Onkwoko, 2009).

However, to develop a digital strategy, luxury brands need to realise and overcome some challenges. For instance, on the internet, consumers are the leaders (Onkwoko, 2009). Websites, social networks, chat groups, forums have given consumers power to share their opinions and influence their peers in an independent way, without the brand's control. Nevertheless, digital offers great opportunities to manage the relationship the brand has with its clients and embrace this new way of interaction, opening new venues for creativity in communication and business, more at a servicing level than to a promotional one (Kapferer, 2015).

Luxury brands should, therefore, incorporate a strategic business unit that is focused on digital tools, and on defining techniques and strategies that translate the identity of the brand. They should create an amazing virtual experience that is the closest possible to the physical one. The solution is to keep the core of the luxury and make the client immerse in the brand's universe by offering a good balance of content, functional value and "webmosphere" (web + atmosphere) (Onkokwo, 2009). Moreover, the strategy must be integrated as to strengthen the way the luxury brand is seen online. The website is not the only tool available (Onkokwo, 2009). Building online communities engages people and serves as both a desire and an awareness tool.

Luxury brands must promote what gives depth and uniqueness to their goods by telling and showing their story on a wide scale, which is something they were not able to do before. Digital allows them to project their heritage into the future (Kapferer, 2015) and to maintain their relevance as inspirational brands. This way, both brand value and brand equity will be enhanced (Onkokwo, 2009).

3. CASE STUDY

In 2006, when Angela Ahrendts, an American woman, stepped up as Burberry's new CEO, the famous 150-year-old British company was in dark waters and in desperate need for a rescue. In a sector that was growing at a 13% rate, Burberry was growing at 2% (Ahrendts, 2013). Workers and top managers had lost their admiration and love towards the brand, preferring not to wear it. Burberry, that was once granted a Royal warrant by the Queen, had become an aging brand associated with football hooligans, gangsters and drug addicts. What had happened? How did Burberry lose its exquisite reputation? What could be done to save the brand?

The History

Back in 1856, in the town of Basingstoke, a simple draper's apprentice founded what many consider a representation of the quintessential British style - Burberry. Thomas Burberry, at the age of 21, opened his first general store focusing on outdoor-ready attire, inspired by everyday clothing worn by commoners, with resistant and durable fabrics. The business expanded rapidly and the whole concept of sportsman clothing made of weatherproof textiles was a success. British Army officers, such as Lord Kitchener and Lord Baden-Powell were delighted with Burberry's pieces and helped as brand endorsers. But what Burberry is best known for, the iconic trench coat, would only appear afterwards.

Gabardine and the Trench Coat

It was in 1879 that Thomas Burberry, who, thanks to his occupation as a draper, invented the gabardine: a fabric consisting in various heavy fibres that made it water-resistant, breathable and hardwearing. The gabardine attracted very positive reviews, being described as the perfect fabric for a weatherproof coat that would resist to hot and cold winds as well as heavy rains, and its innovative process of working the cotton was acclaimed by many. This discovery made both Thomas Burberry and his brand worldly known. In 1888, the gabardine was patented, and three years later Burberry's flagship store at 30 Haymarket was opened.

Burberry was fulfilling the British elite's dreams and demands. Its reputation for good quality even made explorers get interested in the brand as to become a clothing provider for their expeditions. The Nobel Peace Prize winner Dr. Fridjof Nansen was the first polar explorer to use gabardine in his trip to the Arctic Circle, but many more followed him. The aviator

Claude Grahame-White wore it to fly in record time between London and Manchester; both explorers Roald Amundsen and Captain Robert Falcon Scott and their teams reached the South Pole not only wearing gabardine garments, but also using a tent made of it; Sir Ernest Shackleton wore it for an expedition to Antarctica. Gabardine proved continuously to be the perfect fabric for extreme weather conditions.

The fame and exclusivity of its innovative yarns among Londoners led the British War Office to trust Burberry to design a coat that could replace the old-fashioned military coats. At the time they were too heavy and there was the need for something lighter, but durable. This led to the creation of Burberry's most iconic piece: the trench coat made of gabardine. Initially known as "Tielocken", it was designed for the army that fought in World War I, fact that inspired the name of the piece as we know it today. During World War II, Burberry outfitted once again the British Troops and adapted its product category to war time. The trench rapidly started to be very much appreciated not only by soldiers, but also by regular civilians. By the middle of the 20th century, Burberry was a household name associated with British culture and patriotism. At the time, no one could predict that the trench was destined to become the best-loved raincoat in the world. It became the main element of Burberry style and even Hollywood did not stay indifferent to it. Humprey Bogart, in Casablanca, and Audrey Hepburn, in Breakfast at Tiffany's, contributed to the spread of the trench's fame as a style icon throughout the world.

Figure 1 - The trench coat (2019)

The Logo

In 1901, Burberry presented to the world an "Equestrian Knight" logo. The logo symbolized values of "Purity, Nobleness and Honour". The knight could be seen holding a shield and a spear. While the first one represented "Protection", the second one was embellished with a Latin word: "Prorsum" and its meaning, "forwards", represented the company's long-term view of innovation.

Figure 2 - The logo

The Check Pattern

In the 1920s, the world witnessed Burberry's second breakthrough: the check pattern, one of the most recognizable patterns in the world, inspired in a Scottish tartan design with a beige base and black, red and white stripes. However, it took more than forty years to consider this design as a fashion statement on its own. Before 1967, the pattern could only be seen sewn in the interior of the company's coats. But one day, the manager of Burberry Paris, who was displaying a group of trench coats, decided to turn up the coat's hem, revealing the "house check" pattern, as to add a pop of colour in the front window. Customers absolutely loved the design and Burberry soon started to sell umbrellas and cashmere scarves featuring the check.

The check quickly became a symbol of status. It was worn by the British upper class which was known for their "Sloane Ranger" style (the most famous Sloane of all times was Princess Diana). This style was perceived as classy, traditional and with the right amount of ostentation, peaking with Sloane Ranger Handbook's publication - that identified the preferences of this monied people. Alongside with luxury brands such as *Gucci* or *Hermès*, Burberry was definitely a favourite to these people.

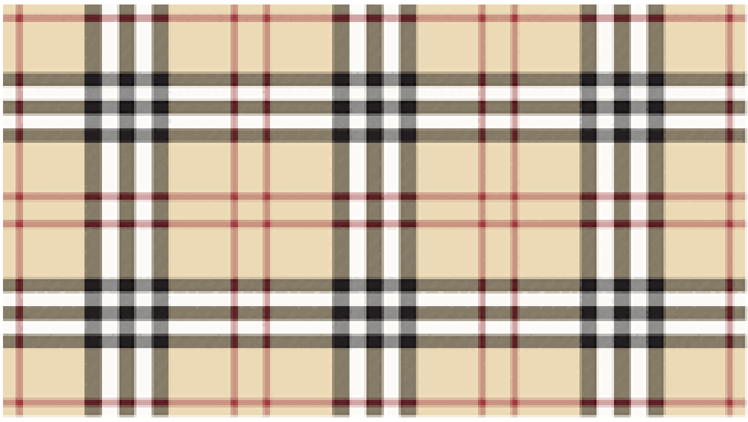

Figure 3 - The house check pattern

Growing pains

Burberry was associated with a posh clientele for a while. Wearing Burberry symbolized financial power, finesse and modernism. In 1955, Burberry was granted a Royal Warrant by Queen Elisabeth II, the most prestigious recognition for Burberry so far. The brand was, consequently, deeply enrooted in the British Culture.

Burberry was becoming so successful and so desirable that there was a great potential to grow. The chosen growth strategy, during the 70s and 80s, was to sign licensing agreements worldwide. The manufacturers under the agreements started to produce complementary products to the existing collection such as accessories, suits, trousers, shirts, for men, women and even children. The production and distribution of these products was done through independent retail stores all over the world, and soon Burberry's sales and profits started to grow. Burberry was ascending and becoming more noticed than ever before.

In the 1990s, Burberry suffered some serious image problems. Consumers started to perceive the brand as conservative and old-fashioned. Additionally, the brand started to lose control over its licensees, which led to inconsistencies in price, quality and design.

Rose Marie Bravo, brought as the CEO in 1997, started a turnaround strategy for the company, which included a stricter control over licensing agreements and distribution, and recruiting Christopher Bailey as design director in 2001 to bring a fresh vision to the brand. Bailey turned the top model Kate Moss into the face of the brand and the success was huge. It was also during Bravo's time that the company's line of products increased, namely the addition of perfumes. These actions contributed to Burberry's raising profits and revenues that more than tripled (from £230 million in 2000 to £740 million in 2006).

However, in the early 2000s, the brand became very popular among the "chavs", a pejorative term to describe a low-income, anti-social group obsessed with luxury brand logos and cheap jewellery. As Burberry's pieces were out of their reach, they would not mind buying counterfeited pieces which, due to the brand's fame, had been rising in production. Though fake, the streets of London were filled with the so famous tartan.

In 2002, Danniella Westbrook, the former *EastEnders* actress, that was a cocaine abuser, stepped out wearing the house check pattern from head to toe. Her daughter was matching her, and even the stroller next to them was covered with the tartan. It had become such a success among the masses, that even dogs could be seen wearing it. Burberry itself contributed to make the pattern truly ubiquitous through a campaign featuring Kate Moss, in which one could see an entire wedding party outfitted in the Burberry check. The check was everywhere.

Figure 5 – Burberry check's overexposure

Figure 4 - Daniella Westbrook all in Burberry

Football fans also became absolutely obsessed with the brand, which rapidly befell associated with the violent and conflicted football hooligan culture. This led to the start of banning the wearing of Burberry check garments at some venues. For the upper classes and media, Burberry had hit rock bottom.

To create a distance from the "chav" culture to whom the elites did not want to be associated with, they began to abandon Burberry. The negative associations to the brand led some of the major UK department stores such as Harvey Nichols and Selfridges to stop stocking Burberry, while Harrods would only sell the most traditional trench coats.

Despite Bravo's effort that contributed to the brand's growth, in 2004 the Telegraph wrote about Burberry's "sharp decline in UK sales due to the popularity of its trademark camel check among […] 'chavs'". It was also stated the growing negative associations with the brand and the dropping sales, in some cases by 40 per cent, in leading retailers. One retailer even described Burberry's products as "hideous".

Burberry's reputation went from a sign of exclusivity, innovation and class to desperate, *nouveau riche* and down-market. The pricing also began to vary significantly, especially to face the repudiation felt towards the brand. Moreover, Burberry that was once known by its exquisite outerwear had it now representing only 20% of the business. Tartan accessories were leading its strategy.

At the time, luxury was one of the fastest-growing sectors in the world. However, Burberry was only growing at a pace of 2% a year, trying to fight against other luxury players such as the LVMH group (Ahrendts, 2013) that had 12 times more Burberry's revenue.

A New Beginning

In 2006, when Angela Ahrendts, an American woman, stepped up as Burberry's new CEO, the famous 150-year-old British company was in dark waters and in desperate needed for a rescue. It was Bravo that convinced Ahrendts to seat with Christopher Bailey with the intention to make her accept the role Bravo was retiring from. In an interview, Ahrendts recalls having lunch with Bailey for three and a half hours and writing down their dreams on the back of a napkin. It was Burberry's origins and its contribution to events that are meaningful to the world's history that led Angela to accept the challenge. It was the start of a new beginning for Burberry.

> *"Most of that conversation was about culture and the kind of company that we envisioned. A company with passion and energy, where people were inspired by their work and felt empowered, that was entrepreneurial but truly global, and that had strong values at its core."* - Christopher Bailey

When Ahrendts arrived for her first day as CEO, she noticed that Burberry's executive team had lost their admiration towards the brand (Ahrendts, 2013). None of more than sixty people were wearing a Burberry trench coat. *"If our top people weren't buying our products, despite the great discount they could get, how could we expect customers to pay full price for them?"* she questioned. The staff needed to fall in love with the brand again and begin to see it as a promoter of British fashion.

The new CEO spent the first six months of her tenure travelling worldwide to better understand how the brand functioned outside the UK. In Hong Kong, the designer proudly showed the line which featured the check in almost every piece. Surprisingly, not a single coat was being made. When she went to America, she realised that, not only were the products sold by half the price of that in Britain, but also labelled as "Made in the U.S.A" as they were being produced in New Jersey. And just like this example, many other licensees were following the same scheme as the American one, setting even lower prices. Burberry had lost control of the firm's processes and the brand's founding principles of quality.

The Transformation

Ahrendts and Bailey started then a big transformation for Burberry to make it stand for luxury again and to restore brand image. The task did not come neither easy nor cheap. To start with, the check pattern was restrained to no more than 10% of Burberry's products. Moreover, Burberry bought back 23 licenses, namely the Spanish franchise that represented 20% of the group revenues. The first years with Ahrendts as CEO were spent "buying back the company" and served as an attempt to regain control over the brand. "*If you can't control everything, you can't control anything, not really.*" she said. Consequently, the New Jersey factory had to close as well as a Welsh one that was producing polo shirts. The latter was so polemic that Ahrendts had to testify before the Parliament and justify the decision. Alongside, there was an increasing investment in the Castleford facility in Yorkshire, specialized in Burberry's heritage rainwear. This aligned with the Ahrendts' vision of glorifying again the gabardine and the trench coat. Burberry's core, where were embedded all the brand's heritage and history, were not being given the right importance. Burberry's core products had to be reemphasized and made the centre of any future decision/move.

Bailey as chief creative officer was also a key factor to unify Burberry's branding. Ahrendts introduced him as the "brand czar": *"Anything that the consumer sees - anywhere in* *the world - will go through his office. No exceptions*.". As a result, the entire Hong Kong design team was fired. Christopher Bailey was Burberry's only and global designer, combining his previous experience at *Gucci* with his passion for technology, just like Thomas Burberry had once done.

> *"We're a British brand, and we felt everything had to be designed in England. We wanted to reinforce our British-ness. Burberry is the largest British luxury brand, competing with the big French and Italian brands. We heightened our focus on (...) reinforc[ing] our British heritage."* – Angela Ahrendts

Along with the centralization of design, other corporate structural changes were made. Until then, the business was divided into categories – there was one person responsible for the men's category and one for the women's one, for example. However, the business had to be thought as a whole. Therefore, the new structure did not follow category division, but had a head of corporate resources, a head of planning, a chief supply chain officer, and the upper mentioned chief creative officer (Christopher Bailey). Apart from that, Ahrendts decided also to have two regional chief executive officers in charge of a respective part of the world instead of having seven different countries reporting directly to her.

For the retail strategy, the plan was to identify where their competitors had stores and where in these locations Burberry was not present. Moreover, the goal was to accelerate retail-led growth by operating Burberry's own stores and by changing the company's operating culture, which was too reliant on a wholesale structure. By 2013, Burberry had opened 132 new stores worldwide. However, retail sale representatives had forgotten how to sell expensive items. Over the years, they had sold pieces that took less effort to convince people to buy, namely polo shirts and accessories with the check. Therefore, Burberry invested in sales and service programs to teach sales representatives how to talk up luxurious, heritage products, such as the trench coats, by reinforcing their symbolism of British style and authenticity. The company also began to increase prices and to reduce their product line.

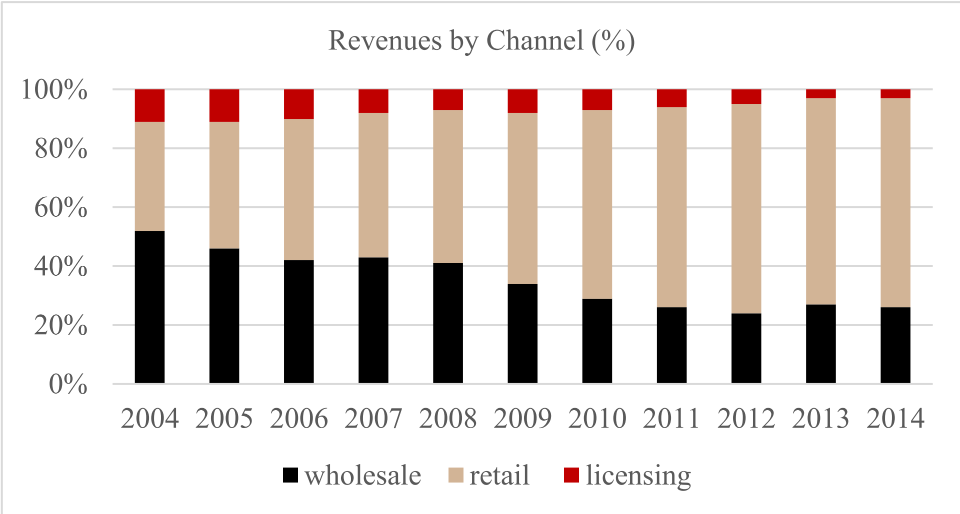

Figure 6 - Burberry's revenues by channel
Source: Burberry Annual Reports

Nevertheless, taking Burberry back to its roots and glory days was not enough to establish a new and favourable reputation. Their customers were not the same as they were before, and it was not possible to go back in time. There was the need to change the target audience and revive Burberry's heritage to the millennial digital generation, which was also being ignored by their competitors.

Ahrendts and Bailey had a clear vision for Burberry: being the first fully digital luxury company. Technology would change every aspect of the business, from creativity to retailing. The IT department should no longer be a simple service or support structure, but a key partner to all levels of the company's activity.

Burberry's Latin motto (Prorsum – "forwards") aligned perfectly with the new strategy of the brand that started to be spoken of, once again, in terms of innovation and style. Targeting mostly millennials meant also getting closer to them. Ahrendts believed that great brands had to be great storytellers as well. And those stories had to be authentic, emotional and compelling. Burberry had been around for more than 150 years and that was an amazing story. The digital generation needed to be told how everything started in the language they knew, through the platforms they were used to. Going the traditional way was not an option if Burberry wanted to become relevant among this new generation: "*I grew up in a physical world; and I speak English. The next generation is growing up in a digital world; and they speak social.*" - Ahrendts. Digital would allow Burberry to tell more of what is behind the scenes, the history behind the products and the brand. In other to do so, Burberry started to explore how it could be innovative and disruptive in the eyes of their target audience.

Millennials were a generation that highly appreciated multisensory experiences and that were deeply influenced by music. As a result, Burberry started to include a musical angle in everything they did as a strategy to create an emotional bond. Burberry had some regional websites before Ahrendts became CEO, but during her tenure, they were all consolidated in one platform, *burberry.com*, and featured a whole section called *Burberry Acoustic* portraying young English talent to a generation that loved music. When Burberry launched its first fragrance under Ahrendts and Bailey's ownership, all the communication was done in a reverted way. The objective was to inject people with emotion before showing the product. Music was given priority to the fragrance and all the campaign was done digitally before coming to the physical world. *Burberry Brit Rhythm* had one of the most successful Burberry's product launches, inspired by the energy of live music.

The website *burberry.com* recreated the "Burberry World" serving as an inspiration for store décor and a guideline for the atmosphere that should be built. At the same time, it also updated customers on the current lines and campaigns, while reserving a whole section to celebrate Burberry's heritage and history. *Burberry Bespoke* allowed customers to personalize their coats, being able to choose various details, from the buttons to the lining. The new generation had grown up without knowing Burberry's roots, without having an emotional attachment to it. Burberry had to win them over with design and a more contemporary collection:

> "*Burberry used to have just a few basic styles of trench coats: Almost all were beige with the signature check lining, and the differences between them were minor. Now we have more than 300 SKUs, from capes and cropped jackets to the classic Burberry trench in a range of vibrant colours and styles, with everything from mink collars and alligator epaulets to studded leather sleeves. We had to infuse the new lines with our heritage."* – Angela Ahrendts

Everything that one could not find in a store, was on the website, thus making online sales spike.

In 2009, *The Art of The Trench* was created. This platform allowed everyday people to show off their trenches and their styling through *Instagram* and *Pinterest* photos.

Unquestionably, the platform would also offer information about the history of the trench coat. The engagement was huge: a continuous stream of thousands of selfies, likes and comments were shared within this community and the best stylings were posted on Burberry's website. Bailey saw this also as a source of inspiration for his next designs.

Figure 7 - The Art of the Trench

In 2012, Bailey created the store of the future. The opening of 121 Regent Street, a London flagship store, symbolised the merging of *burberry.com* and a physical experience. Everything that customers were able to do online was reflected on that store. Just like the website, it featured a stage for live performances of *Burberry Acoustic*, a gallery with all the brand's history, and, of course, the collection. "*It's human nature to want to have a physical experience, and the physical experiences, I think, create the stories to tell on a platform*." states Bailey, when explaining that things get interesting when there is no separation between the physical and the digital world, but rather a coming together of both.

The goal was to blur the lines between the two dimensions of physical and digital. For instance, every month, when Bailey put on a *Burberry Acoustic* act in the store, it could be live streamed to all other Burberry stores and digital outdoor signs. People who went to the store faced a gigantic screen that presented fashion shows; sales associates had iPads to show customers the specially created videos that demonstrated Burberry's craftsmanship of hand-rolling and hand-stitching all the collars; the RFID (radio frequency identification) tags bespoke multimedia content relevant to the products; mirrors turned into screens and showed the runway on which the product the consumer was trying on was part of, and how it could be styled with other pieces; more than 500 speakers and 100 screens made people immerse completely into the emotive brand content; and virtual rain showers increased the desire to purchase one of the famous Burberry trench coats.


Figure 8 - 121 Regent Street London (facade, interior and live-music show)

The same feeling of blurring the lines between the physical and virtual worlds could be witness in many of Burberry fashion shows that featured holograms complementing the models' clothing and movements.

Communication also took an extremely important role in transmitting the brand's new positioning. Bailey took special care in his campaigns. To keep the sophisticated tone, he relied on British aristocratic, credible, yet fresh and irreverent, actors and models such as Eddie Redmayne, Emma Watson, Douglas Booth, Naomi Campbell and Cara Delevingne. These celebrities were people that the millennials knew and, most of all, respected. Bailey was able to please the new generation and put the brand back on the fashion map, making it cool again. The moment Catherine, the Duchess of Cambridge, was seen wearing her Burberry coat marked the success of the brand's turnaround. The respect for the brand was brought back.

One of Burberry's most famous campaigns, however, was with *Google* as a partner. Through emotive digital experiences, *Google*'s *Art, Copy & Code* initiative aimed to "humanise technology". The partnership resulted in *Burberry Kisses*: using their phone or webcam, people would see their real-life kiss transformed into a digital kiss print via lip contact. Then, one of the 5 shades of Burberry lipstick collection could be chosen to colour the print. This kiss sealed a personal digital letter that could be sent to anyone in the world. The goal was to unite the Burberry family worldwide, combining fashion, technology and a personal touch. In total there were over 14 thousand engagements on Facebook, over 60 million media impressions and more than 1 thousand photo entries powered by a not at all traditional ad.

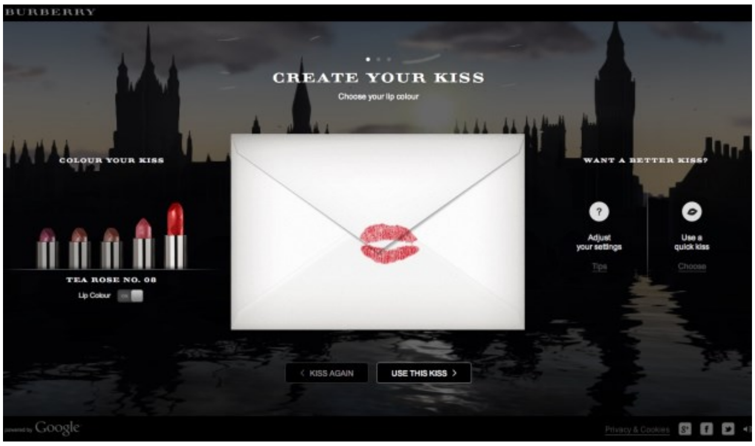

Figure 9 - Burberry Kisses

But digital was not only embraced to please the consumer. Actually, Burberry developed many digital actions internally to keep the staff aware of the novelties and keep them interested in the brand. These actions included sending monthly webcasts, weekly videos and previews of ad campaigns before they launched. This goes in line with what Ahrendts defended from the beginning: before building a relationship with the customer, the company had to build a great relationship with its employees.

All the content that was generated, whether for internal or external purposes, showcased Burberry in an aspirational context. Most importantly, it was strongly built upon the history and principles of the brand.

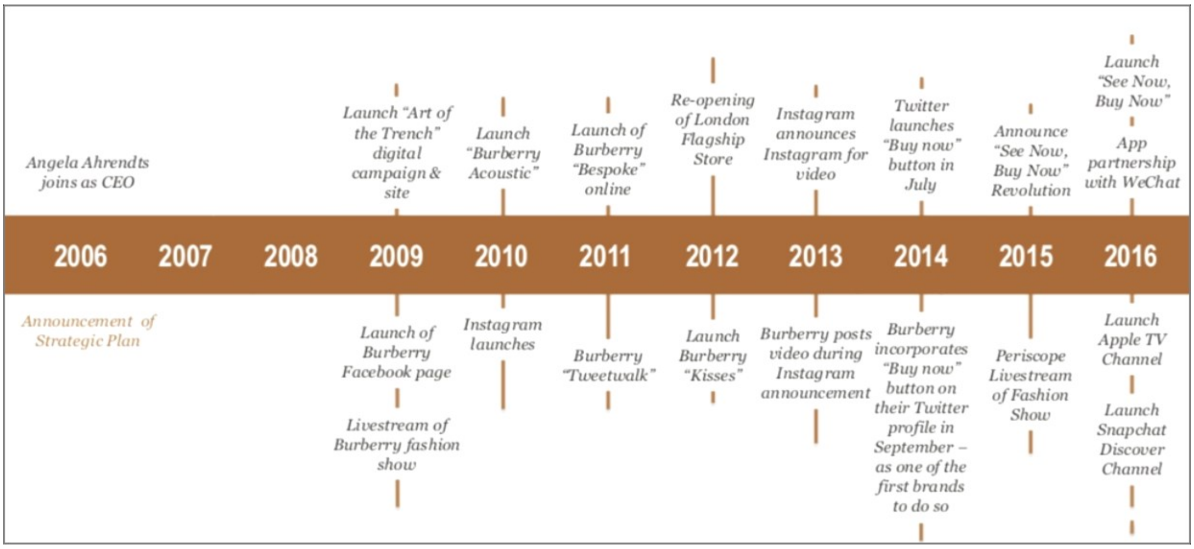

Figure 10 - Timeline of the execution of Burberry's new vision: going fully digital
Source: VIVALDI_

The Outcome

Ahrendts, along with Bailey, managed to do what seemed impossible: turn Burberry from a label that had become associated with marginals into the biggest British high-fashion brand. Interestingly, Angela Ahrendts admits she did not look for inspiration in other luxury brands. She mostly reflected about great brands that people admired for their consistency, such as Apple and Starbucks. She considered these to have a great branding, especially because one was able to get and live the same experience anywhere in the world. “Living the experience” started to be the new path for the company, becoming as much important as clothing itself.

In 2011, Burberry was considered the fourth fastest-growing brand globally by *WPP/BrandZ* (behind *Facebook*, *Baidu*, and *Wells Fargo*) and by *Interbrand* (behind *Apple*, *Google* and *Amazon*). The latter considered the brand to be the fastest-growing luxury brand in the following year. Figure 11 shows Burberry’s brand value evolution during Ahrendts’ tenure.

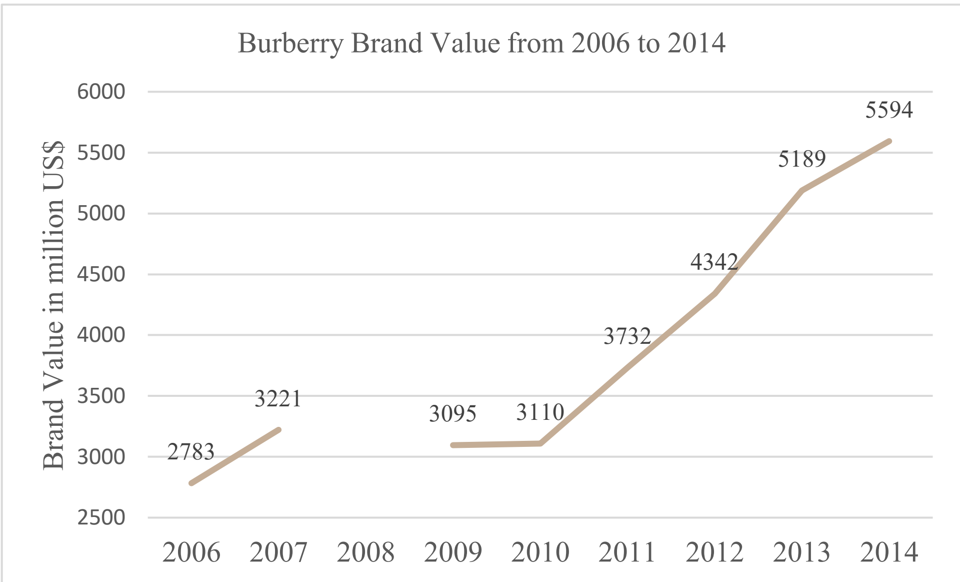

Figure 11 - Burberry Brand Value from 2006 to 2014
Source: Interbrand

In 2012, luxury suffered a reduction in traffic, globally. Nevertheless, although it was down, the “quality” of Burberry’s sales was increasing. People were buying more from the elevated lines, which represented a shift to higher transaction values. This meant that the aspirational customers that could afford lower priced products were being more cautious, while the core luxury audience was becoming stronger.

Between 2011 - after creating *The Art of The Trench* (2009) and buying back the Spanish franchise (2010) - and 2015, the brand posted revenue growth of around 55%, rising from £1,501M to £2,330M (Figure 11). In 2013 the company's worth tripled since 2006 to £7 billion, operating profits went from £167 million to £428 million (Figure 12), and Ahrendts became one of Britain's best paid CEOs (in 2012 she earned £17m). In 2014, Burberry's online platforms, although ranked behind *Ralph Lauren*'s and *Chanel*'s in terms of traffic, were ahead of *Hermès*, *Luis Vuitton*, *Prada*, *Gucci*, and other luxury fashion brands. These were great news for 2006's decaying Burberry.

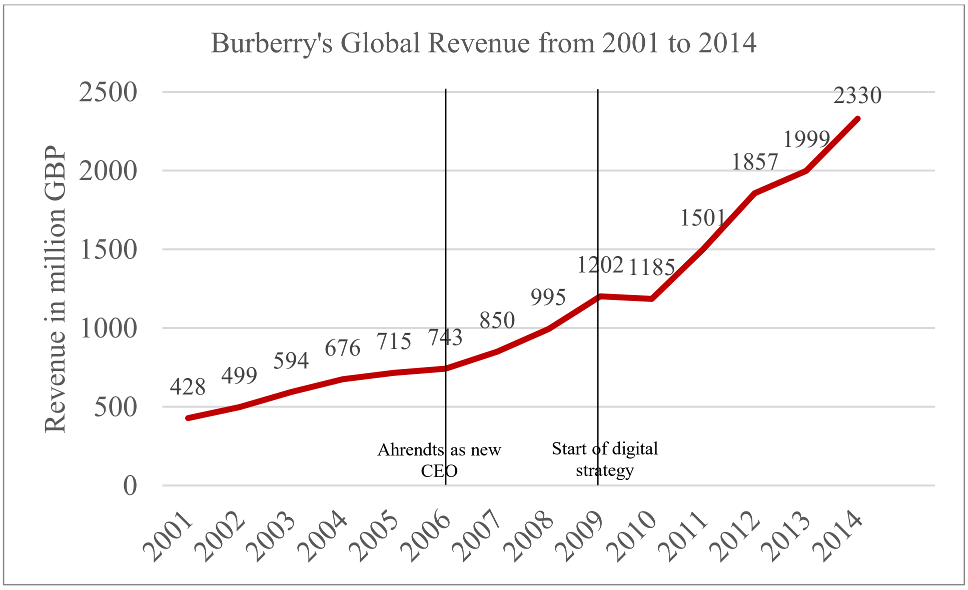

Figure 12 - Burberry's Global Revenue from 2001 to 2014
Note: 2010 excludes revenues from the Spanish operations
Source: Burberry Annual Reports

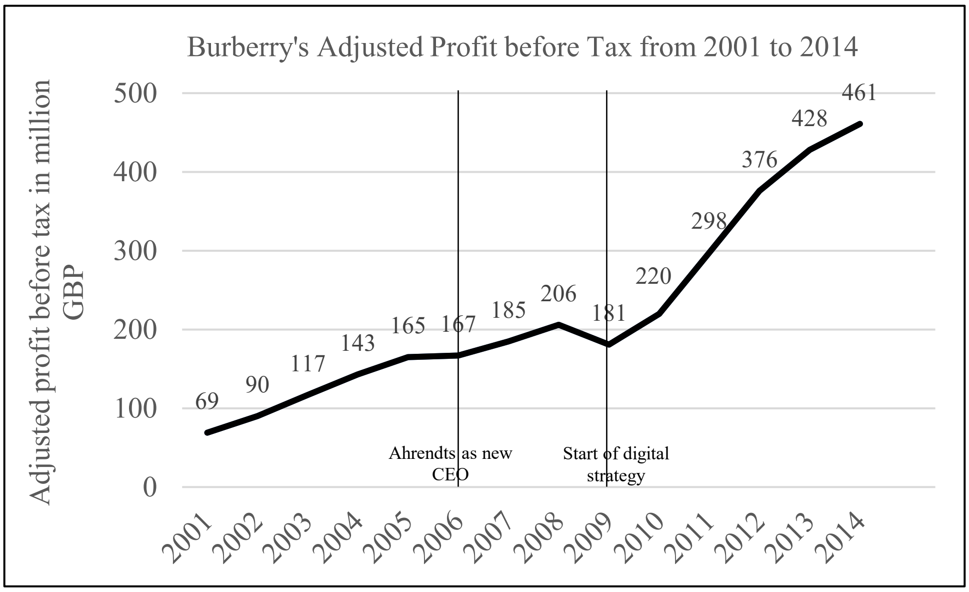

Figure 13 - Burberry's Adjusted Profits from 2001 to 2014
Note: 2010 excludes revenues from the Spanish operations
Source: Burberry Annual Reports

It was also in 2014 that Angela Ahrendts left her position as CEO to join Apple. When Angela Ahrendts left Burberry, Christopher Bailey was nominated as the new CEO, while keeping his role as chief creative officer. Although this was a never-before-seen move inside Burberry, it was perfect to continue the merging of design and digital. During Bailey's time, the number of runway shows reduced from four to two. Bailey combined both men's and women's collections and introduced, in 2016, the concept *Runway Made To Order*, giving consumers the opportunity to shop the looks directly after the show. Mostly seen as a "fast fashion" trend and an anathema to most luxury brands, the strategy turned out to be a success that translated into strong growth. He also deeply explored social media, partnering up with *Snapchat*, *Periscope* and *Instagram*.

Overall, Burberry had a reimagined heritage. Its foundations were laid more than half a century ago, but it evolved to become relevant and exciting in today's society.

4. TEACHING NOTES

4.1. Case Synopsis

This case portrays the story of Burberry, a successful British luxury brand, starting by telling the brand's foundations and how it became so famous among British elites. Thomas Burberry, the brand's founder, revolutionized outerwear through the invention of gabardine, a durable and lightweight fabric that would resist the harshest weather conditions.

The famous Burberry fashion icon, the trench coat, was a result of the British Army request for the brand to create a new uniform made of gabardine for the troops. Soon enough, civilians started to also appreciate this piece of clothing, a representation of the quintessential British style, that rapidly became famous worldwide. Later, Burberry also became known for its house check pattern, a beige, white, red and black Scottish inspired tartan. The pattern, initially only in the lining of the trench coats, gained its own strength as a fashion icon, being used in all sorts of fashion accessories. The success was astounding, especially among celebrities, politicians, Sloane rangers (stereotypical young upper-middle or upper class person who pursues a distinctive fashionable lifestyle) and even British Royalty.

Because the potential to grow was enormous and so was the popularity of the brand, Burberry started to license its name worldwide, across various product categories. However, the brand could not successfully control its licensees, which led to design, quality and price inconsistencies. Even though Rose Marie Bravo, Burberry's CEO from 1997 to 2006, started a turnaround strategy by taking stricter control over the licensees and hiring Christopher Bailey as design director for a fresh vision for the brand, and despite the great financial results, Burberry's image was truly damaged. This because the brand's success was such that counterfeit deeply increased. Besides, due to the over-licensing and previous lack of control over retail and distribution, Burberry's products were being worn by people that clashed with the brand's desired image: "chavs", hooligans and drug addicts. The check pattern became over exposed, especially in accessories. This caused the elites to abandon the brand, while great retailers refused to sell more Burberry pieces.

The feeling towards the brand was such that not even the company's workers and top managers would wear Burberry. Besides, in a segment (luxury) that was growing at 13%, Burberry was only doing it at 2%.

There was the need to restore Burberry's image as a luxury brand. Things started to change when Angela Ahrendts became CEO in 2006. Along with Bailey, they designed a strategy to recover Burberry from the dark situation it was on. They had a clear vision for the brand: being the first luxury brand to go fully digital. Thus, they rapidly started working on this transformation. Many of the actions taken were based on the need to build a stronger brand by taking control of everything, from creativity to retailing; focusing on the cores of the brand, capitalizing them and making them the centre of every decision; restructuring corporate organization; and changing target audience. Digital was the lever for the success of these strategies.

The outcome was impressive: revenues and brand's value tripled, operating profits doubled, Burberry was ranked as one of the top fastest-growing brands and its online platforms were ahead of many of the most well-known luxury brands.

4.2. Learning Objectives

The main goal with the analysis of this case is to understand that, although digital's essence is the opposite to luxury's, a digital strategy can coexist with a luxury one, as long as the former respects the fundamentals of the latter. However, to acknowledge this, it is important to start by exploring the concepts and fundamentals of a luxury business model and what may happen if they are not followed, and, from there, understand its common ground with a digital strategy and how can they leverage one another. Students should be able to:

- Acknowledge the essence of luxury (awareness higher than accessibility);
- Acknowledge the imperativeness of luxury to have a dual nature: intrinsic and symbolic value, in order to successfully build brand identity;
- Acknowledge the importance of brand identity in driving performance in the luxury segment;
- Identify the fundamentals of the luxury business model and the specific management rules that help to sustain the gap given by luxury's basic equation;
- Identify the adjacent risks of not following the fundamentals of the luxury business model;
- Understand that communication, in luxury, is a means, not to sell, but to keep the dream alive;

- Acknowledge that digital has a place in the luxury business model, as long as its use respects all the luxury rules.

4.3. Preparation and Roadmap for Discussion

Before presenting this case in class, students should be introduced to the concept of luxury and its fundamentals for product and branding management in previous lessons. This case should be discussed in order to illustrate how a digital strategy can enhance brand value and business development.

The instructor may start the class by asking students if they think that digital has a place in a luxury business model. Students may have different opinions, let them debate and explain their reasoning. The discussion should last for 10 minutes and, afterwards, the instructor should point out the differences between luxury and digital essences and why it is not obvious the advantage given by going digital in the luxury segment. The instructor could highlight differences in exclusivity, accessibility, the intrinsic timelessness of luxury versus instantaneous information in digital, the multisensory experience provided by luxury versus the dual-sensorial dimensions of digital, physical versus virtual world.

Afterwards, the class should extensively discuss Burberry's case. The class should be divided into 4-5 groups, each having to answer all the questions proposed in the next section. The groups should be given 20 minutes to try to answer the questions and, then, the instructor should assign one question to be given out loud by each group. After the first group answers the first question, there will be a possibility for the other groups to add on that answer or refute it and this process should be repeated throughout all the questions. The instructor should provide the correct answer after the discussion of each question.

4.4. Questions for discussion

Specifically, in this case, students should firstly be able to point out why Burberry is considered a luxury brand in order to recall the contents given in previous classes. This will be the starting point and the basis for every following discussion. Only by understanding the basis of luxury will students be able to discuss luxury brands' management practices. Then, they should identify the reason for Burberry's bad reputation that led to a decrease in UK sales and to slow growth in a segment that was evolving at a much faster rhythm. Having identified what went wrong with Burberry's strategy, students will have the opportunity to discuss what they think were the best practices that enabled the brand to turn around, exploring the role that the incorporation of a digital strategy had on this change. There are some questions that could be asked to guide this discussion:

4.4.1. Can Burberry be considered a luxury brand? Why?

Guidelines: Students should discuss if Burberry meets in its brand the essence of luxury and luxury's dual nature, both explored in chapter 2, under the "The concept" section, and whether its business respects the fundamentals of the luxury business model explained in "The luxury business model" section of chapter 2, such as the rules for production and distribution, and the strategies to keep the dream alive, linking them to the marketing anti-laws.

Possible Answer: *Even though Burberry had some struggles in its journey that compromised its image as a luxury brand, it can now be considered to respect and incorporate most of luxury's rules.*

Luxury's dual nature: Burberry became famous for its durable, lightweight gabardine fabric. Even today, the brand is proud to show its customers how every piece in the collection is made of the best materials with the highest attention to detail (intrinsic value). Burberry is also a brand known to represent quintessential British style. Its origins and core products are deeply enrooted in Britain's culture and history, which confers the brand a strong story, a heritage, emotional values, a sense of uniqueness, and social distinction (symbolic value).

Luxury business model and strategies: After suffering a loss of control because of global expansion, Burberry was able to regain full control of its value chain. It ended most of the license agreements and tried to keep production within its country of origin as to not lose identity and authenticity, while creating rarity (the scarcer, the more desirable). Additionally, Burberry's centralization of design perfectly translates the creative designer's vision. The brand also follows several (not all) of the marketing anti-laws: they communicate far beyond their target (specially through digital platforms to create awareness); they focus on brand content to nurture the dream; they make its core product – the trench coat - the centre of every decision; and they increase prices to grow demand. Burberry has also highly invested in creating a universe to offer customers the most embracing experience, by blurring the lines between the physical and the virtual world.

These strategies have helped the brand to manage the gap between visibility and access, keeping its luxury essence.

4.4.2. How did a successful mass-market strategy kill Burberry's reputation? Was Bravo successful in her turnaround strategy?

Guidelines: The discussion may start by pointing out that, although mass consumption is very profitable and conveys higher visibility, it does not work for luxury because it takes away the intrinsic rarity. Vulgarization kills luxury as discussed under the section "What happens when Luxury Brands stop following the fundamentals of a Luxury Strategy?" of chapter 2. It should also be mentioned the risk of pyramid stretching. Students must highlight, as well, the importance of keeping authenticity and consistency throughout the whole value chain, which links to the production and distribution rules presented in the section of "The luxury business model".

Possible Answer: *Following the eagerness to grow after being so successful in the UK, Burberry started a retail strategy that was very dependent on licensing agreements worldwide. This led Burberry to lose control over both distribution and retail, which are fundamentals of the luxury business model to sustain consistency. Licensees were inconsistent in terms of design, quality and price. Counterfeit is a possible consequence of loss of control over licensees and that was something that happened to Burberry. Besides, Burberry was mostly relying on profits from products at the bottom of the "stretching pyramid" that were more accessible and lacking creativity. When this happens, it is very difficult to manage exclusivity and keep brand equity. More and more people started to have access to the brand, even those that were not the desired clientele for Burberry (luxury's role as a social marker was gone). Moreover, the brand was being over-exposed, especially through the check pattern that could be seen in almost every piece in a wide variety of categories. Factors such as distinction, elitism, quality, refinement and uniqueness were being compromised and the luxury's essence (existent gap between awareness and access) was not being met. Ubiquity killed its luxury image.*

This question regarding the success of Bravo may be a more open question with no right or wrong answer. However, students must conclude that there were no successful strategies to increase brand equity. Proposed Answer: *Bravo tried to have a stricter control over the licensees and the growth in sales and revenues was a result of increasing the product line with a new creative vision. However, the brand image kept on being damaged and outerwear, the* *brand's core that carried all the brand heritage and identity, represented only about 20% of the global business. Fashion apparel and check accessories were leading the strategy, which was not consistent with the luxury vision. The strategy that was being followed, although profitable, was not sustainable for a luxury brand. A sustainable performance of luxury brands relies on timelessness and on increasing value overtime. Solely pursuing good financial results is a short-term vision in luxury, because, in this segment, the brand's value is much more dependent on the brand's image and strength. In a segment where competition relies on the ability to offer symbolic value for self-elevation, not respecting the brand's origins nor its values, is reducing it to the products themselves.*

4.4.3. In 2006, things started to change. Identify three strategies designed by Ahrendts and Bailey to try to restore the brand's luxury image and why you think they followed these strategies.

Guidelines: Once again, students may apply their knowledge of the fundamentals of a luxury business model and the anti-laws of marketing found in the second section of chapter 2, highlighting the importance of consistency and exclusivity, the importance of identity, and its communication in creating symbolic value and differentiation, which is explained under chapter 2's "Why is Brand Identity so important to drive performance in the luxury segment" section – products should be given a context and meaning.

Possible answer: *Ahrendts and Bailey understood that the brand had lost its focus in the process of global expansion and it needed to regain its identity (think identity only). In order to do so, they had to* ***centralize power*** *in design (Bailey as "brand czar"), in distribution and retail (buying back licenses), and in organizational structure (one brand, one company and not several categories). Consistency and exclusivity were no longer compromised. Additionally, the house check exposure was highly reduced and the* ***whole strategy was built on Burberry's core*** *- the trench coat - reinforcing the brand's heritage and innovating around it, which gives Burberry a unique image that is hardly copied. The other key strategy was to highly* ***embrace new technology*** *in communication, distribution and creation, which enables a more creative storytelling. Burberry faced it as an opportunity to reinvent itself and to differentiate from competitors, while enhancing customer experience. Moreover, the actions taken to limit supply and to increase prices led to a decrease in accessibility. Meanwhile, through social media, Burberry found a brilliant way to gather more admirers, subsequently increasing the number* *of people that were unable to buy something from the brand. The gap between awareness and accessibility widened, which is most desirable for luxury brands.*

4.4.4. Compare Figures 10, 12 and 13. Comment on the impact of Burberry's new strategies on the business performance.

Guidelines: Students should conclude that digital is an opportunity for luxury brands to influence consumers, to offer them extraordinary experiences, and to be creative in their communication. In luxury, brands should not communicate to sell, but to dream, respecting the marketing anti-law, and digital can be a powerful communication tool used to manage desirability and awareness, as explained in the "Can digital elevate a luxury brand's strategy?" section of chapter 2. Digital is more than e-commerce, it should be about engaging people and building communities, because understood, appreciated and valued people often go back to keep spending more time with a company that gives them real attention. Besides, students should also comment on the fact that innovating without breaking the rules of luxury gives sustainable growth for luxury brands, while keeping its brand image undamaged, summing up all the sections in chapter 2.

Possible Answer:

When analysing figures 12 and 13, one can see increasing revenues and profits throughout the years. Even before Ahrendts became the new CEO, from 2001 to 2006, revenues were growing at a 12% rate and profits at 19%. The problem was that, although growing, the brand had lost its lust and its image was not compatible with the brand's vision of luxury. Between 2006 and 2008, the transition period, during which Ahrendts started to "buy back the company" to centralize control, there was a slowdown in both revenues and profits. What is interesting to notice is that, from 2009 to 2014, revenues' and profits' growth rates recovered their values, even slightly rising, to 14% and 21% respectively. This means that Burberry was able to recover its pace even when licenses were bought back and a retail-led growth strategy was followed, product lines were reduced, and the focus was put more on outerwear than on non-apparel items.

Moreover, between 2009 (after the slowdown) and 2012, profits grew 43% faster than what they did in the period of 2001 to 2006 (under Bravo's tenure). When analysing figure 10, it is noticeable that this corresponds to the start of the execution of Burberry's new vison of *becoming the first fully digital luxury brand, trying to blur the lines between physical and virtual worlds.*

Millennials, the new generation of consumers, were being ignored by luxury brands. Therefore, Burberry decided to target this new generation and saw digital as an opportunity to stay relevant at their eyes. Burberry found a way to "educate" the new generation and to create certain associations in their minds. The strategy was highly successful because it stayed true to luxury's fundamentals. Burberry was able to see digital as much more than just e-commerce. Digital was the perfect tool to spread brand content and build strong relationships with customers at a speed and distance never reached before. An integrated digital plan was key to tell consumers not only the heritage of the brand, but also its character as innovative and modern. Digital served as both an awareness and a desire tool, once the brand's storytelling added symbolic value and provided an extraordinary customer experience (factors on which luxury is completely dependent). Burberry, through its online platforms, was able to create a stronger brand's universe and to keep the dream of millions of people alive.

We can conclude that Burberry's business performance highly benefited from undertaking a digital strategy. Moreover, digital also helped to strengthen corporate culture and interest in the brand, through an increasing share of information and access to exclusive content. All the content that was generated, whether for internal or external purposes, showcased Burberry in an aspirational context. Most importantly, it was strongly built upon the history and principles of the brand ("Prorsum"- forwards).

4.5. Wrap up

The class should end with the conclusion that digital has definitely a place in a luxury brand's strategy and should be seen as an opportunity for luxury brands to enhance brand equity and position themselves as industry leaders. The instructor may challenge the students to think about the biggest risks taken by Burberry in its heavily digital strategy, taking into account their knowledge of the "traditional" luxury strategy. This discussion could include topics such as: not being able to recreate the brand's identity and personalized experience online and/or reducing the products to the nicest deal in terms of quality/price ratio.

Furthermore, a question with no right or wrong answer can be asked, such as: *In 2006, Burberry had a clear vision of going fully digital, which contributed immensely to its relevance* *in the digital era. Do you think that Burberry's heavy reliance on digital is sustainable?* The discussion may include topics such as the need to modernise design and the importance of the creative director's vision.

5. MAIN CONCLUSIONS

Burberry's case study is presented in this thesis to illustrate that a digital strategy is compatible with the luxury business model. In fact, Burberry was able to turn around and recover from its bad reputation thanks to its vision of going fully digital, increasing its revenues by 55% from 2009 to 2014.

Although some luxury brands and academics are sceptical of digital's legitimacy to help enhance luxury businesses, it should be seen as a strong tool to keep luxury brands relevant among the new generations and a source of modernism that allows these brands to upgrade their branding. Through digital, the storytelling, fundamental to luxury to add symbolic value, can be much more creative and disruptive. Digital may also create a seamless consumer journey across both traditional, technological and social channels. This enables brands to deliver a consistent and extraordinary customer experience at all touchpoints of the purchasing process, which strengthens the relationship between the parties. It is important, however, to understand that the basis for a successful digital strategy is to continue to apply all the luxury rules to it, especially the gap that should always exist between awareness and accessibility. Luxury brands communicate to nurture the dream, not to sell.

When these conditions are not respected, one can understand from Burberry's example, what may happen to a luxury brand. Even though Burberry respected the luxury fundamentals when applying the digital strategy, it did not when pursuing a global expansion strategy. Whatever the strategy may be, luxury rules must always be applied, otherwise there is a loss of identity, loss of relevance and value dilution. Brand equity is completely compromised, which causes customers to abandon the brand and seek for others that will help them fulfil the need of self-expression and self-enhancement.

This thesis, however, has some limitations, namely the lack of contact with the company and its corporative body of workers. Most of the information presented was gathered through articles in online fashion magazines and newspapers, which sometimes could be contradictory in terms of chronological facts. Even though it was difficult to validate some facts, a *Harvard Business School* article written by Angela Ahrendts herself, enabled a more precise detail on the struggles Burberry had to deal with and what was her vision to overcome them.

Finally, further research could include a more extensive analysis on the role of Angela Ahrendts in leading this turnaround. An American woman, inspired by non-luxury brands such as Apple and Starbucks, that saved a centenary luxury British brand. The impact of changing internal culture in the brand’s turnaround could also be explored.

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